

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF MAGNUM	)	
HUNTER RESOURCES CORPORATION,	)	
NGAS HUNTER, LLC., MAGNUM	)	CASE NO.
HUNTER PRODUCTION, INC. AND SENTRA	)	2014-00043
CORPORATION FOR APPROVAL OF	)	
PROPOSED REORGANIZATION	)	

COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION TO SENTRA CORPORATION

Sentra Corporation ("Sentra"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Sentra shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Sentra

fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. What are the specific financial goals of this corporate reorganization for Magnum Hunter Resources Corporation (“MHR”), NGAS Hunter, LLC (“NGAS”), Magnum Hunter Production, Inc. (“MHP”), and Sentra? Provide details.

2. Refer to page 1 of the Application, which states, “The proposed reorganization will cause MHR, which now indirectly owns and controls Sentra through NGAS and MHP, to own and control Sentra as a direct, wholly-owned subsidiary.”

a. Explain whether there will be a change of MHR’s management structure once Sentra is a direct, wholly owned subsidiary, and, if so, describe.

b. State whether there will be any change in the dividend policies of MHR or Sentra after the proposed reorganization and, if so, state the effect it will have on Sentra’s ratepayers.

c. State what benefits and/or cost savings are expected for Sentra’s ratepayers as a result of the new structure.

3. Provide the following information concerning the costs of this corporate reorganization:

a. The total cost incurred as of the date of this Order by MHR;

- b. The total cost incurred as of the date of this Order by NGAS;
- c. The total cost incurred as of the date of this Order by MHP;
- d. The total cost incurred as of the date of this Order by Sentra;
- e. The current estimated total cost of the corporate reorganization to be borne by MHR;
- f. The current estimated total cost of the corporate reorganization to be borne by NGAS;
- g. The current estimated total cost of the corporate reorganization to be borne by MHP; and,
- h. The current estimated total cost of the corporate reorganization to be borne by Sentra.

4. Refer to page 4 of the application, and the reference to MHR as “being engaged in the exploration for and the exploitation, acquisition, development and production of crude oil and natural gas in the United States and Canada,” and the comment that the “business operations of MHR are currently focused primarily in three North American shale resource opportunities . . . .”

- a. What experience does MHR have in the business of natural gas distribution?
- b. Does MHR currently own any distribution systems for retail sales of natural gas? If so, describe.
- c. Does MHR currently operate any distribution systems for retail sales of natural gas? If so, describe.

5. Identify and describe in detail the current credit ratings for MHR, NGAS, MHP, and Sentra. Attach any credit audits or other reports that have been done in anticipation of this corporate reorganization.

6. Refer to page 6 of the application. It states the following:

The business operations of NGAS, MHP and Sentra are conducted through MHR's Appalachian Basin Division, which is led by James W. Denney [sic], III. Mr. Denny has been employed by MHR since 2008, and has extensive experience in the oil and gas industry.

Describe the business operations of NGAS and MHP.

7. Refer to page 6 of the application, which states: "The proposed reorganization does not trigger the need for any prior approval under the federal Natural Gas Act ("NGA") because Sentra, as a local distribution company, is expressly exempt from jurisdiction under the NGA." Are either NGAS or MHP subject to the NGA?

8. Refer to page 7, second full paragraph of the application, which states, "MHR has identified a number of non-core properties for possible divestiture in 2014." Confirm that Sentra is not included in this possible divestiture.

9. State the expected impact of the corporate reorganization on Sentra's future ability to engage in financing arrangements with MHR, NGAS, MHP, or any affiliate of same.

10. Provide the following:

- a. The number of shares of stock authorized for Sentra;
- b. The par value of the shares;
- c. The number of shares that have been issued;
- d. The number of shares that are currently outstanding; and

e. A statement or statements regarding whether this transfer of Sentra's stock, pursuant to this corporate reorganization, will modify any of the above.

11. Will this corporate reorganization require any change in branding or signage for Sentra?

a. If yes, provide a description and cost estimate of the required changes, and state whether the cost of the required changes will be passed on to Sentra's ratepayers.

b. If no, is it anticipated that changes will be made voluntarily? If so, describe the changes and the anticipated cost to Sentra's ratepayers.

12. Refer to page 8, paragraph 3, of the application, which states: "Sentra will continue the employment of its current employees located in Kentucky."

a. List all of Sentra's current employees by name and business address, and state whether each is employed full time by Sentra.

b. Describe the current job duties of each Sentra employee. Will these job duties change after the proposed reorganization? Describe any anticipated changes.

c. Which of these employees will continue to work for Sentra after the proposed corporate reorganization?

13. Provide the following information as of the date of this Order:

- a. The total number of MHR employees;
- b. The total number of NGAS employees;
- c. The total number of MHP employees;
- d. The total number of Sentra employees;

- e. A current listing of senior executive officers of MHR;
- f. A current listing of senior executive officers of NGAS;
- g. A current listing of senior executive officers of MHP; and
- h. A current listing of senior executive officers of Sentra.

14. Provide the following information for the anticipated corporate reorganization:

- a. The total estimated number of MHR employees;
- b. The total estimated number of NGAS employees;
- c. The total estimated number of MHP employees;
- d. The total estimated number of Sentra employees;
- e. A listing of senior executive officers of MHR;
- f. A listing of senior executive officers of NGAS;
- g. A listing of senior executive officers of MHP; and,
- h. A listing of senior executive officers of Sentra.

15. For each of the concerns listed below, state how MHR and Sentra will address the following concern:

- a. MHR's ability to adjust the capital structure of Sentra in a manner that could adversely affect its cost of capital and financial integrity;
- b. MHR's refusal to provide necessary capital to Sentra, which could impair its ability to provide utility services;
- c. The guaranteeing of the debt of affiliates and of MHR by Sentra, which could jeopardize Sentra's financial position and resources;

d. The need for the Commission to have open access in Kentucky to the books and records of MHR and its other affiliates and subsidiaries; and

e. The ability of the Commission to monitor significant transfers of Sentra's assets to business ventures of MHR and other major transactions.

15. Provide copies of all reports submitted by financial advisors to MHR, NGAS, MHP, or Sentra related to the corporate reorganization.

16. Provide the following information concerning the board of directors of MHR, NGAS, MHP, and Sentra, if known, as of the date of this Order:

a. The names and occupations of each board member;

b. How long the current board members have served on the respective board of directors;

c. How the members of the board are selected and eligibility requirements that a candidate must satisfy if any; and

d. When the term expires for each board member.

17. Provide copies of any filings or applications regarding this proposed corporate reorganization that have been filed with the U.S. Securities and Exchange Commission by or on behalf of MHR, NGAS, MHP, or Sentra.

18. Provide the proposed journal entries that will be recorded on the books of MHR, NGAS, MHP, and Sentra to reflect this corporate reorganization using estimated dollar amounts if actual amounts are not known at this time.

19. Given that the application contains no provision for passing any corporate reorganization savings on to Sentra ratepayers in the form of reduced rates, explain how this corporate reorganization can be considered to be in the public interest.

20. Explain how local considerations are included in this corporate reorganization.

21. Refer to page 1, paragraph 1 of the application, which states: "The proposed reorganization will cause MHR, which now indirectly owns and controls Sentra through NGAS and MHP, to own and control Sentra as a direct, wholly-owned subsidiary." How will this transfer of direct ownership and control specifically benefit Sentra?

22. Are measurable savings expected to be achieved by this change in direct ownership? If so, how will Sentra's ratepayers benefit? If no measurable savings are expected, state the rationale for this reorganization.

24. What measurable savings will be achieved by MHP, NGAS, and MHP by this corporate reorganization? If no measurable savings are expected, state the rationale for this reorganization.



Jeff Derouen  
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Public Service Commission  
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DATED APR 08 2014

cc: Parties of Record

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